

AA

Special Attention of:

All Homeownership Center Directors
All REO Directors
All Real Estate Owned Branch Chiefs
All Management and Marketing Contractors

Notice H 00-7 (HUD)

Issued: 4/28/00

Expires: 4/30/01

AA

Cross References:

AA

Subject: Implementation of "\$1 Home Sales to Local Governments Program"

The Department is seeking means to expand its partnership with local governments in helping to foster housing opportunities for low to moderate income families and address specific community needs. One area of opportunity is sales of single family real estate owned properties to local governments. The following changes to HUD's policy for the sale of these properties will be in effect on May 1, 2000:

- **Special Offering of Aging Inventory Properties to Local Governments**

Properties which have been offered to the public for sale for six or more months and are not presently under a sales contract will be removed from the market and offered exclusively to local governments for \$1 plus closing costs. To be eligible to participate in this new sales program, local governments may purchase properties within their jurisdiction and must:

1. identify the intended disposition strategy(ies) and clear public purpose goals and objectives it will pursue with properties purchased through this program;
2. affirm that all profits from resales of these \$1 homes will go to support local housing/community development initiatives;
3. identify what specific programs or uses these profits will support; and
4. agree to provide HUD's Homeownership Center (HOC) Program Support Division Director with a report on June 1, 2000 and annually thereafter for all properties purchased under this program. The report must include information on the ultimate property purchaser, the amount of profit realized on the final sale and where the profit was used.

AA

HSIP Distribution: W-3-1, W-2(OGC)(H)(Z), W-3(A)(H)(ZAOO), W-4(H), R-1, R-2, R-3, R-3-1(H)(RC), R-3-2, R-3-3, R-6, R-6-1, R-6-2, R-7, R-7-1, R-7-2, R-8, R-8-1

As part of its disposition strategy, the local government may indicate that it intends to purchase the property and convey it to a nonprofit organization for rehabilitation and resale to first time homebuyers, low to moderate income buyers or some other public purpose objective. This is an acceptable approach, however, local governments should be

reminded that all information pertaining to the purchase and subsequent resale must be included in the annual report provided to HUD's Program Support Division Director. Failure of a local government to comply with any of the above requirements will result in their removal from participation in this program.

Nonprofit organizations and entities such as housing authorities are not permitted to directly purchase properties under this sales program. However, should the local government identify an agency of government such as a housing authority to act as its agent to purchase these properties, this is acceptable and sales contracts may be accepted from them.

Prior to offering properties to local governments, the M&M contractor [and/or HUD staff] must ensure that the property has been listed for sale for at least six months. In order to calculate the length of time a property has been marketed, begin with the original listing date. Do not include any period of time a property has been held off the market. The total marketing time only includes days actually listed for sale. For example, properties temporarily removed from the market when HUD enters into a sales contract which are then relisted for sale due to the purchaser's failure to close, the days the property was temporarily held off the market are not counted toward the 180 day threshold. When the property is placed back on the market, the clock will resume ticking towards meeting the six or more months of marketing to qualify for this program.

On May 1, 2000, all M&M contractors must inform the local governments of the start of this new program. A sample letter is attached that must be used by the M&M contractors to complete the notification process. In addition to the letters, the M&M contractors are encouraged to contact all local governments via email. Local governments should be provided with the appropriate website addresses that they can access to obtain the listing of properties that are available for purchase under this new program. As is done with the Officer Next Door and Teacher Next Door listings, the M&M contractor must identify those properties eligible for the "\$1 Home Sales to Local Governments" program on their website. HUD's main website will also provide information on this program with appropriate links to the M&M contractors' websites.

Properties must be made available to local governments on a weekly basis with new properties being added as they reach at least six months of marketing exposure. The properties must remain available exclusively for purchase by local governments for 10 calendar days. A form HUD-9548, Sales Contract, must be received within this period of time for consideration for the \$1 sale. If sales contracts are received within this time period but contain minor errors requiring correction, the M&M contractors must notify the local governments of the required changes and allow five days for the submission of a corrected sales contract.

An addendum to the sales contract must be completed by the local government purchasing the property and submitted with the sales contract. The attached addendum must identify the intended disposition strategy of the property. As mentioned previously,

the local government purchasers will be required, on an annual basis, to identify to the HOC Program Support Division Director the ultimate disposition of the property and any specific benefits accrued to the community.

In those instances where a local government has assessed liens against the properties and fines are assessed, the local government must remove these liens at no cost to HUD in an effort to facilitate the sale. In addition, the local governments will be required to absorb the closing costs involved with each property sale transaction. HUD, however, will continue to pay its closing agent's fee and any wire transfer expenses.

If local governments do not submit a sales contract within 10 calendar days, single unit properties will then be offered exclusively to Officer Next Door/Teacher Next Door participants for an additional 10 calendar day period. If properties remain available for sale after this offering, local governments may submit offers to purchase these aged properties for \$1. *Consideration will only be given to these offers if no other acceptable offers have been received from the public.* M&M contractors are to ensure that their websites are properly maintained to ensure accurate, up to date, information relative to property availability.

- **Outreach efforts by HUD and M&M contractors**

Many local governments are unaware of the opportunities for purchase of HUD-owned single family homes. HOC staff, in conjunction with local Community Builders, and the M&M contractors must immediately begin conducting outreach efforts to all local governments within their jurisdiction. M&M contractors must complete the notification of this new program to the local governments within one week from the date of this Notice. HOC REO staff must ensure that the M&M contractors complete this notification promptly.

- **Demolition consideration.**

It should be noted that the local government may recommend the demolition of any property which is currently available for purchase by that entity. To consider demolition, the following criteria must be met:

1. HUD's last listed price, plus the cost of rehabilitating the property to meet HUD's Minimum Property Standards (MPS) is more than 130 percent of the after rehabilitation value. The determination of rehabilitation cost and the after rehabilitation value may require the M&M contractor to procure the services of a structural engineer, appraiser, and/or special inspectors. The appraisal must include the fair market value of the land. The cost to procure the previously mentioned services will be treated as pass through expenses.
2. The cost of demolition may not exceed the cost of rehabilitating the property to meet MPS.

3. Review the Environmental Compliance Record to determine whether the property is listed on the National Register of Historic Places or located in a Historic District. If the property is classified as “historic”, review any conditions on the disposition of the property to determine whether demolition is permitted. If so, follow any conditions imposed in conjunction with the demolition.

In the event that the M&M contractor and HUD are in agreement that the above criteria have been satisfied, demolition of the property should be completed by the M&M contractor. HUD will pay for the demolition and clearing of the debris.

Following demolition, the land should be listed for sale to the general public for 10 calendar days at its fair market value. The M&M contractors are reminded that the sales commission for vacant lots is 10 percent with a minimum of \$200. Should no acceptable offers be received from the general public, the land should be offered to the local governments for \$1 for 10 calendar days. In the event the local governments have no interest in the land, the property would be relisted on the general listing until the property is sold.

- **Offering to Officer Next Door/Teacher Next Door Participants**

If the local governments fail to submit a sales contract within the timeframe identified above, the single unit properties should be relisted for sale exclusively to Officer Next Door/Teacher Next Door participants for a 10 calendar day period. During this time, the property will not be offered to nonprofit organizations and units of state and local governments. With the exception of multiple unit properties, *all* properties will be made available for purchase to these participants. Discount levels previously established for Officer Next Door/Teacher Next Door apply. It is important to note here that the discount received by the Officer Next Door/Teacher Next Door participant will be based on the adjusted list price not the appraised value.

- **Best Offer Approach**

Should properties remain unsold after the offering of aging inventory to Officer Next Door/Teacher Next Door Program participants, the property should be relisted for sale to the general public.

- **Restatement of As Is Policy**

HOC staff and the M&M contractors are reminded that properties are sold “as is.” The Department believes that an “as is” sale is the fairest, most straight forward sales method. However, even though HUD sells its properties “as is,” it is HUD’s policy, as a good neighbor, to keep the properties in a safe, secure, and well-maintained manner. Specifically, HOC staff must ensure that as required by their contract, the M&M contractors:

- Routinely inspect and take all actions necessary to preserve, protect, and maintain each property in a presentable condition at all times.
- Secure the property to prevent unauthorized entry using a locking system determined to be acceptable to the GTR;
- Protect the property from damage from the elements, through such measures as repairing broken windows, patching roof leaks, and replacing functional shutters;
- Correct ANY condition that presents a health or safety hazard to the public or to the property within 24 hours of discovery. This would include repair of broken steps and/or floorboards, removal of hazardous material such as gasoline cans and/or oil-soaked rags, and removal of dead animals and/or feces.
- Remove and properly dispose of all interior and exterior debris immediately after property conveyance and on a continual basis;
- Maintain lawn, shrubbery and trees consistent with neighborhood standards, as well as prompt snow removal from private access and public walkways consistent with local ordinances;
- Winterize all operating systems and equipment, including but not limited to shutting water off to external spigots and filling internal water systems with antifreeze.
- Properly secure swimming pools, spas, etc, including draining the pools, covering pools, and protecting linings, as required by local ordinance;
- Correct factors which may cause deterioration of the property, for example, installing a sump pump to stop water from seeping into a basement.
- Maintain each property in such a way as to prevent any deterioration in condition or value to the property between the time that it is assigned the property and the time it conveys the property to a purchaser.
- Repair all damage due to vandalism.

The Department is excited about these new opportunities for expanding partnerships with local governments. We will continue to expand current programs, such as “Asset Control Area” agreements with state and local governments and nonprofit organizations for the purchase of a pre-defined flow of HUD’s property acquisitions.

If you have any question regarding these new approaches, please contact Wanda Sampedro of the Asset Management Division at (202) 708-1672.

William Apgar
Assistant Secretary for Housing-
Federal Housing Commissioner

Attachments

(M&M contractor's letterhead)

Dear

SUBJECT: \$1 Home Sales to Local Governments Program

I am pleased to announce that effective May 1, 2000, the U.S. Department of Housing and Urban Development (HUD) implemented its "\$1 Home Sales to Local Governments Program". This program allows local governments to purchase properties which have been listed for sale for more than six months for \$1. This will make it possible for communities to rehabilitate homes and put them to good use at a considerable savings.

Properties will be made available for sale under this new program on a weekly basis. I invite you to visit our website at _____ for a complete listing of properties currently available for purchase under this program. In addition, you may also visit HUD's website at <http://www.hud.gov> for information on this program.

If you have any questions, please do not hesitate to contact _____ at _____ (M&M contractor to insert their phone number here).

Sincerely,

(M&M Contractor)

ADDENDUM TO SALES CONTRACT

\$1 Home Sales to Local Governments Program

PROPERTY ADDRESS: _____

FHA CASE NUMBER: _____

- *The proposed disposition strategy, goals and objective for purchasing this property are: (Purchaser may list a number of alternative strategies here.)*

_____.

- *By signing this addendum, I/We affirm that all profits from sales of HUD homes will go to support local housing/community development initiatives;*
- *The following local government programs will benefit from the proceeds in excess of the cost to rehabilitate the property received from purchasing and subsequently selling the property:*

_____.

- *By signing this addendum, I/We agree to provide HUD's Homeownership Center (HOC) Program Support Staff Director with an annual report that provides the status and details on all properties purchased under this program. The report must include information on the ultimate purchaser, the amount of profit realized on the final sale and where the profit was put back into local housing/community development.*

Signature of Purchaser and Date